

## BUDGET, FINANCE & INVESTMENT COMMITTEE

**June 19, 2013**

**5:30 P.M.**

**Courthouse**

### MINUTES:

<u>Members Present:</u>	<u>Others Present:</u>	<u>Others Present:</u>	<u>Others Present:</u>
Comm. Charlie Baum	Ernest Burgess	Jeff Davidson	Dorsey Meeks
Comm. Joe Frank Jernigan	Heather Dawbarn	Kathy McMahan	A. Robinson
Comm. Will Jordan	Robert Arnold	Regina Harvey	Jeremy Neal
Comm. Robert Peay, Jr.	Don Odom	Jake Robinson	Mary Moshier
Comm. Steve Sandlin	Lisa Nolen	Philip Beyer	Steve Schroeder
Comm. Doug Shafer	Jeff Sandvig	Susan Beyer	Susan Allen
Comm. Joyce Ealy, Chr.	Sonya Stephenson	Mark Swicord	Heather Brown
		Scott Broden	Elaine Short

Chairman Ealy presided and called the meeting to order with all members being present.

### APPROVE MINUTES:

Comm. Jordan moved, seconded by Comm. Sandlin to approve the minutes of the June 6, 2013 Budget Committee meeting.

The motion passed unanimously by acclamation.

### 2013-14 PUBLIC HEARING REVIEW:

Chairman Ealy asked for any reaction or comments from the Budget Committee members regarding the public hearing on the 2013-14 budget.

Comm. Sandlin stated that it was a good turnout, and that approximately 22 people spoke. The consensus of those speaking was no property tax increase. There were two or three people who thought the property tax increase should be more, because they had come from another state. However, the population of Rutherford County is 280,000, there were approximately 50 citizens in attendance, and 12 commissioners were present. Comm. Sandlin stated that the attendance was better than some years, but when the population was compared to the attendance, he was hoping that there would have been more people attending.

Comm. Sandlin stated that Comm. Stevens made some good points. He asked the Finance Director or anyone else about the comments Comm. Stevens made concerning the pension plan.

Mayor Burgess advised that the pension plan was already being looked at, and it would take somewhere between six months and a year and a half to study the pension plan in detail, because there could be major changes to the plan.

The Finance Director stated that discussions with department heads regarding the plan were started over a year ago.

Comm. Jordan stated that Comm. Stevens had commented that any changes to the pension plan should affect new hires.

Mayor Burgess advised that state law required that any changes made to the pension plan could only affect new hires.

Comm. Shafer commented that it would be similar to changes made to the health insurance plan, and that for new hires it would be different.

The Finance Director stated that the comment was made at the public hearing that seven governmental entities had pulled out of the retirement system because it was insolvent. Her understanding was that was not the reason they pulled out. Three of the entities were in East Tennessee, and their contribution rate was more than their government wanted to pay.

Mayor Burgess advised that the state had adopted some of their own changes for their new hires, as well.

The Finance Director advised that the legislature had made changes for local governments that could go into effect July 1, 2012. Employees who have been hired since July 1, 2012 could be affected by any changes the county might make to the pension plan.

Comm. Jordan stated that new employees need to be informed of that when they are hired.

Mayor Burgess advised that the state treasurer spoke to the county's department heads about a year ago about various options that the county might consider adopting.

Mr. Sandvig stated that his understanding was that if the employee was contributory, like a teacher, left the county's employment but left their money in the retirement system, they could go back into the retirement system under the old plan if they were rehired. He stated that he believed that the employee would have more than a year or two in which to come back to the county.

Comm. Peay stated that he also believed that something would need to be done with the pension plan. He noted that his wife was a teacher, as well as his oldest daughter. He stated that he had heard from principals and other teachers that the reason they came to Rutherford County to teach was partly because of the pension plan. He believed that Rutherford County was drawing high caliber teachers because of the benefits.

Comm. Shafer commented that the county had to contribute a portion of the revenue generated from the county's property tax rate to the City School System. He also stated that only Williamson and Hamilton Counties had a higher bond rating than Rutherford County. While Williamson County's property tax rate was 15 cents less than Rutherford County's property tax rate, the property values in Williamson County were much higher than the property values in Rutherford County. Comm. Shafer also commented that the state expenditure per student was \$8,098, which put Rutherford County's school system at 116 out of 137 school districts in the state, but that did not include construction.

Comm. Ealy stated that one speaker commented about Rutherford County's property tax rate and how it compared to other counties.

Mayor Burgess noted that a list of property tax rates from the Comptroller's website for all of the counties in Tennessee reflected that the property tax rates for Coffee County, Dickson County, Franklin County, Giles County, Marshall County, Maury County, Montgomery County, Putnam County, Robertson County and others were all higher than the tax rate being proposed for Rutherford County. He stated that the proposed property tax for Rutherford County was not out of line.

Comm. Shafer stated that someone also commented that they paid higher property taxes every year. He stated that the property tax rate stayed the same from one reappraisal to the next unless the legislative body increased it or the homeowner made changes to their property. Comm. Shafer also commented that the county commission implemented the senior tax freeze several years ago, as well as the tax relief program.

Comm. Peay also commented that someone stated that county employees had \$8 million each in the retirement plan and that was not true.

Comm. Shafer noted that Charles Redman spoke about volunteer fire departments. Comm. Shafer stated that a decent fire department could reduce someone's homeowners' insurance rates significantly. Comm. Shafer stated that this was something that the county needed to look at in the future for people who live in the county. He stated that in the not too distant future, there would probably some kind of situs tax in the county to help fund the fire departments.

Comm. Ealy stated that the public hearing notice that was published in the newspaper invited all interested citizens to attend and make comments. The notice also stated that written comments would be accepted. Comm. Ealy distributed a written comment from Comm. Matthew Young.

Comm. Young's comment listed the following items that he would like to see cut from the budget: AED's for the ambulance; cut all building projects from the EMS budget; cut solid waste completely and privatize the solid waste pick up; no increase to the health insurance for employees; and cut the SRO's.

In a phone call from Comm. McAdoo, he commented that that the Sheriff's vehicles could be cut.

Comm. Jordan noted that no property tax went to the Solid Waste/Sanitation Fund. Comm. Jordan stated that Mr. Stroop commented at the public hearing that one of his tenants had borrowed money for formula for the baby. Comm. Jordan stated that he also rented properties, and he had never seen a time when people were strapped for cash like they were now. He stated that the people he dealt with were struggling more than he had ever seen.

Mayor Burgess noted that he had not received one phone call or one e-mail regarding the recommended budget, positive or negative.

Comm. Jernigan stated that if the Solid Waste Department was eliminated, people would be throwing their garbage out all over the county.

Comm. Sandlin stated that there would come a day when the landfill would be full, and the county would be paying for it.

Comm. Peay commented regarding cutting the building projects for EMS that the Public Safety Committee was not pleased that there was no direction given about the location for a new station; however, that has changed and the county would be entering into a long-term lease with the hospital for property on Burton Street next to the old hospital property.

Mayor Burgess stated that cardiac monitors and AED's had been discussed. There might be an alternative to the type of AED that EMS had been using that was cheaper. He stated that he was open to that, but thought that the money should be left in the budget. He stated that if there was a better product that could be used, it would be evaluated.

It was noted that Comm. Young did not want any increase to the health insurance for employees. Comm. Baum and Comm. Stevens had commented that the employees should be paying more.

Mayor Burgess advised that a reasonable plan was in place, and the county was moving toward 80%/20% split in funding between the county and the employee.

The committee discussed the funding for the additional SRO's, and that the county commission had voted to fund them as it was economically feasible. Comm. Sandlin stated that he would be wrong to vote against it, because his children had SRO's in their school. He stated that the county needed to complete the project of putting SRO's in every school.

Comm. Ealy stated that Comm. McAdoo's comment to cut the vehicles suggested that the vehicles be cut in half this year and the remaining vehicles could be purchased next year.

Sheriff Arnold commented that the recommended amount for vehicles had been cut in half from the original request.

#### 2013-14 BUDGET OVERVIEW:

Chairman Ealy asked the Finance Director to give the latest adjustments to the 2013-14 budget.

The Finance Director stated that initially she had estimated the General Fund's beginning fund balance at July 1, 2013 was \$16 million. She advised that she was revising the estimated beginning fund balance to \$18 million for the General Fund. She also advised that she was recommending increasing the estimated revenues in the General Fund by \$292,597 for total revenue of \$79,667,002 and increasing the estimated appropriations by \$229,565 for total appropriations of \$83,110,306.

In the General Purpose School Fund, the revenue for the Mixed Drink Tax was increased by \$90,000, the estimated revenue for the TVA Revenue Sharing was reduced by \$15,000, and the estimated revenue for the Sales Tax was increased by \$400,000 for total estimated revenue of \$289,652,377.

The adjustment for the General Fund revenue included \$145,800 for the PILOT Agreements to include the Nissan Battery Plant; \$21,797 for the Health Department Contract; \$25,000 for the Cable TV Franchise Fee; and an additional \$100,000 for the Trustee's Excess Fees.

The adjustments to the General Fund appropriations included an additional \$33,500 to the EMA budget for the tower, rent and back taxes on Hutson Road; \$46,064 to the PAWS budget for a carry-over grant; \$60,000 to the County Buildings' budget for building improvements due to hail damage with the insurance paying the claims; and an additional \$90,000 for Trustee's Commission.

The adjustments in the General Fund would result in an estimated ending Unassigned Fund Balance at June 30, 2014 of \$14,556,696 or 17.5% of appropriations which would be 9.42 weeks of appropriations.

The adjustments to the General Purpose School Fund would result in an estimated ending Unassigned Fund Balance at June 30, 2014 of \$10,646,812 or 3.55% of appropriations.

The total estimated revenue for all funds was \$460,975,539, and the estimated appropriations for all funds were \$481,787,781.

Mayor Burgess advised that he had been in a series of meetings in Nashville, and he had received information which showed that the projected population for Rutherford County by the year 2040 was 592,000 people. He stated that even if the projections were off, there was going to continue to be major increases in the population. He stated that the county would need to have enough foresight, vigor and vision to continue to do what must be done in order to keep the resources in place and the ability to borrow for capital at low rates or else the county would not be able to meet the demands in services for the next generations. This will affect future projects such as the judicial building, the jail, and the school system.

Comm. Sandlin asked Comm. Baum to comment since his proposal was referred to by several speakers at the public hearing.

Comm. Baum stated that his position had not changed. He still supported some of the reductions to the increases that his proposal suggested.

Comm. Jordan stated that he voted against the SRO's previously, because he thought it was a knee-jerk reaction. He stated that it was not finishing the project, because it was never in the long range plan to have an SRO in every school. He stated that he did not want to give that much credit to someone in Connecticut that ruined countless lives. He stated that he believed that spending the money for an additional 11 SRO's was wasteful.

Comm. Jordan moved to eliminate the 11 SRO's for the elementary schools from the 2013-14 budget but keep the two SRO's for Stewart's Creek High School. This would also include the training and equipment for the 11 SRO's for a total of \$742,940.

The motion died for the lack of a second.

Comm. Baum stated that he believed the approach that several commissioners wanted to take was to allocate money for SRO's on a gradual basis and not hire 13 at one time. He stated that the sentiment was not to hire all 13 SRO's but to hire as many as could be afforded. He thought the county had the ability to hire a couple but not the ability to hire 13 in one year.

Comm. Peay stated that the SRO's would be debated on the commission floor on June 28. He stated that his opinion was as strong as it was before. He stated that it has been months since the additional SRO's were first discussed, and he did not believe it was a knee-jerk reaction. He wants the SRO's in the budget. The people who have called him, and his constituents, want the SRO's in the elementary schools full time.

Comm. Jordan stated that if he believed the additional SRO's would save one child's life he would be in favor of it.

Comm. Sandlin stated that he voted against the 10 cents property tax increase. He stated that the Budget Committee had gone through the budget thoroughly. He stated that he believed that a 6.5 cents property tax increase would take care of what the Budget Committee had approved.

Mayor Burgess asked the committee how much, if any, did they want to have on hand over the minimum three percent fund balance for the General Purpose School Fund. A five cents increase would provide an estimated Unassigned Fund Balance for the General Purpose School Fund of 3.55%.

Mayor Burgess also asked the committee if they wanted anything above the 15% minimum fund balance requirement for the General Fund. He asked the committee how far they wanted to push the fund balance down to the policy limits.

The Finance Director stated that if everything remained equal next year there would be a full year of the health insurance increase, which for the General Fund would amount to an additional \$600,000 to \$700,000. For the General Purpose School Fund, it would amount to approximately \$2,763,000. The appropriations would immediately have to be increased for that one expenditure. Property taxes would have to be increased again next year just to take care of the health insurance.

Comm. Jordan stated that he did not believe there was enough support for a 10 cents property tax increase, and he believed the committee should try to reduce the budget somewhere.

The Finance Director stated that if the committee thought that way, she would not recommend reducing the schools' budget.

Mayor Burgess stated that if three cents were taken away from the school's budget, it would result in an estimated ending fund balance of right at three percent, but there would not be anything available to pay the additional cost for the health insurance for next year. That would probably require a five cents increase to the property tax rate for schools for next year.

The Finance Director stated that there needed to be enough cash available to operate the schools between July 1 and October 1 before property taxes were received. The alternative would be that the county would be borrowing money to operate. Even though there might be cash in other funds, the Trustee was not allowed to let a fund to be overspent.

Comm. Sandlin stated that he was not comfortable with a 10 cents property tax increase, but he did not have a solution at this point.

Comm. Jordan encouraged any commissioner that might be considering cuts to back it up.

Comm. Baum stated that he did present a list of suggested cuts that would provide a starting point, which consisted of SRO's, vehicles, and pay increases for employees. He stated that he agreed with Comm. Peay, and that some of the items were important, like the SRO's. In order to avoid a property tax increase, he would be willing to hire what could be hired this year, and hire

some more next year. He suggested hiring five of the 13 SRO's in the upcoming fiscal year with two of those five being at Stewart's Creek High School.

Chairman Ealy asked Sheriff Arnold to join the committee and respond to the proposal.

Sheriff Arnold stated that he did not put the SRO's in his budget request, but he supported it 100%. Currently, ten elementary schools shared five SRO's. If three additional SRO's were approved, then because it was in his budget he would have to decide where the SRO's were assigned. He stated that the burden would be on him to figure out where the SRO's would be assigned. He stated that he could deal with it if that was what the committee decided, but that it became a problem.

Comm. Baum also stated that his proposal called for purchasing 20 patrol cars this year instead of 30 vehicles. He suggested that 20 could be purchased in 2013-14 and 20 more could be purchased in 2014-15.

Sheriff Arnold stated that the Sheriff's Department was already behind in acquiring new patrol cars.

Comm. Baum stated that the third big item of his proposal was the pay increases for county employees. His proposal called for eliminating \$700,000 for pay increases. Since that plan was introduced, the county employee pay plan in the General Fund has been increased by an additional \$840,000. He stated that he was concerned that county employees were not earning competitive salaries. He stated that he would like to help county employees with a pay increase, but he did not think there was \$1.5 million available in the budget to do that. His plan does have room for a pay increase, but not that much. When cuts are made to the General Fund, the amount that is required to be maintained in the Unassigned Fund Balance is also reduced. He stated that he believed there would be enough money to give a flat \$300 pay increase to General Fund employees, which would equal approximately \$300,000.

The committee discussed that the additional storm water inspector was needed, because Building Codes had been loaning an inspector to perform these duties. Since construction had picked up, Building Codes needed the inspector back.

Mayor Burgess stated that the employees' increase for the health insurance would be more than \$300 per year. Mayor Burgess stated that he believed the School Board and the Highway Department employees deserved everything they were getting as far as pay increases were concerned. He stated that the school employees continued to get pay increases that they deserved. The county continued not giving pay increases to County General employees that they deserved. Seventy-Five Percent of the county's employees were being reasonably compensated. Every time it comes to balancing the budget, it was balanced on the back of county employees. The county could not continue to attract competent and professionally experienced people. The county was continuing to grow, and the abilities of the employees were going to continue to expand or the needs of the citizens would not be met. Mayor Burgess stated that it was inappropriate to try to continue to use 20% to 25% of the employees to balance the budget when the other 80% of the employees received what was fair and reasonable.

Mayor Burgess stated that there was no way to avoid a property tax increase for the General Purpose School Fund and meet the three percent fund balance. He stated that three cents could be taken away, leaving them with a two cents property tax increase unless the committee chose to reduce their budget arbitrarily by \$1 million. He stated that was the only way the General Purpose School Fund could be approved without a property tax increase.

Following discussion, Comm. Shafer moved, seconded by Comm. Baum to approve the adjustments to the General Fund revenue and expenditures as mentioned previously for total estimated revenue of \$79,667,002 and estimated appropriations totaling \$83,110,306; and additionally, to approve the estimated revenue for the 2013-14 General Purpose School Fund as revised totaling \$289,652,377.

The motion passed by roll call vote with Commissioner Sandlin voting “no”.

ADJOURNMENT:

Chairman Ealy reminded the committee that the next Budget Committee meeting was Wednesday, June 26, 2013 at 5:30 P.M.

There being no further business to be presented at this time, Chairman Ealy declared the meeting adjourned at 7:02 P.M.

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Elaine Short, Secretary